

WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, New York 10153
Telephone: (212) 310-8000
Facsimile: (212) 310-8007
Peter Gruenberger, Esq.
Richard L. Levine, Esq.

Attorneys for Debtors
and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

| | |
|--|--|
| -----X | |
| In re | : Chapter 11 Case No. |
| | : |
| LEHMAN BROTHERS HOLDINGS INC., <i>et al.</i>, | : 08-13555 (JMP) |
| | : |
| Debtors. | : (Jointly Administered) |
| -----X | |

**STIPULATION RESOLVING LEHMAN BROTHERS FINANCIAL PRODUCTS, INC.'S
MOTION FOR SANCTIONS**

This stipulation (the "Stipulation") is entered into by and between Lehman Brothers Financial Products Inc. ("LBFP"), on the one hand, and Counterparty I and Counterparty II (collectively, "Counterparty"),¹ on the other hand.

RECITALS

A. On November 30, 2011, LBFP filed a Motion for Sanctions [Docket No. 22817] (the "Motion").

B. On December 12, 2011, Counterparty filed its Objection to the Debtors' Motion for Sanctions [Docket No. 23218], and on December 19, 2011, LBFP filed its Reply to Objection to Debtor's Motion for Sanctions [Docket No. 23538].

¹ To protect the confidentiality of the ADR process, the identity of the respondents is not disclosed in the publicly filed version of this stipulation.

C. Counterparty contends that, but LBFP disputes, among other things, that it has engaged in the ADR Process in good faith.

D. On December 20, 2011, following discussions between counsel for the parties, and to avoid burdening the Court in connection with the Motion, the parties have agreed to resolve their differences in accordance with the terms and conditions set forth below:

AGREEMENT

1. Notwithstanding Counterparty's belief that it has already served LBFP with an ADR Response that fully complied with the Court's March 3, 2011 SPV ADR Order and LBFP's contention that Counterparty is in violation of same, Counterparty agrees to serve LBFP with a confidential ADR Response by January 27, 2012 addressing the merits of LBFP's ADR Notice specifically with respect to LBFP's contentions concerning (i) that the purported modification to LBFP's payment priority under the indentures violates the Bankruptcy Code's prohibition on *ipso facto* clauses; (ii) the reasonableness of the settlement amounts calculated by the investment advisor; and (iii) whether Counterparty owes LBFP the amounts stated in its ADR notice.

2. Counterparty agrees that it has full authority to negotiate a settlement for itself of the dispute with LBFP in SPV ADR No. 159.

3. Notwithstanding LBFP's claims to the contrary, Counterparty believes it has participated in the ADR process in good faith and further agrees that it will participate in good faith in the ADR process, including mediation, with LBFP under the SPV ADR Order and in accordance with the terms of this Stipulation.

4. The parties agree that a negotiated settlement may include provision for a Bankruptcy Rule 9019 Motion with notice to all Noteholders of the hearing date and objection

deadline pursuant to paragraph 4 of the SPV ADR Order, or another comparable method to inform Noteholders and the Trustee of, and give them reasonable notice and an opportunity to object to, the terms of any proposed settlement.

5. This Stipulation contains the entire agreement between the parties as to the subject matter hereof.

6. This Stipulation may not be modified other than by signed writing executed by all parties and delivered to each party.

7. Each person who executes this Stipulation represents that he or she is duly authorized to do so on behalf of the applicable party and that each such party has full knowledge of, and has consented to, this Stipulation.

8. This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument, and it shall constitute sufficient proof of this Stipulation to present any copy, copies, or facsimiles signed by the parties.

9. This Stipulation shall inure to the benefit of, and shall be binding upon, the parties and their respective successors, assignees, heirs, executors and administrators.

10. The parties agree that this stipulation in redacted form shall be filed on the Court's docket.

Dated: December 21, 2011
New York, New York

/s/ Richard L. Levine

Richard L. Levine

WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, New York 10153
Telephone: (212) 310-8000
Facsimile: (212) 310-8286

Attorneys for Debtors
and Debtors in Possession

Dated: December 21, 2011
New York, New York

/s/ Jack Yoskowitz

Jack Yoskowitz
SEWARD & KISSEL LLP
One Battery Park
New York, New York 10004
Telephone: (212) 574-1200
Facsimile: (212) 480-8421

Attorneys for Counterparty